

## Message Text

SECRET

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 NIC-01 SAJ-01 EB-07 IO-10 /086 W

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R 130415Z MAR 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4142

INFO USLO PEKING

AMEMBASSY MOSCOW

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

CINCPAC

S E C R E T SECTION 1 OF 2 HONG KONG 2580

NOFORN

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: ECON PGOV CH

SUBJECT: POLITICAL BASIS FOR ECONOMIC DEVELOPMENT

1. SUMMARY: PEKING IS RAISING THE VISION OF A CHINA THAT IS POWERFUL AND MODERN, AS WELL AS SOCIALIST, AND CALLING FOR A MAJOR EFFORT TO EXPAND AND SPEED UP PRODUCTION AND ECONOMIC DEVELOPMENT. THE MAIN TASK BEFORE THE REGIME AT PRESENT IS STILL TO HALT THE DISRUPTIONS TO PRODUCTION ARISING OUT OF LAST YEAR'S POLITICAL MOVEMENT. IT IS ALSO HARD TO SEE THE FUTURE SHAPE OF THE UNITY WHICH THIS GOAL IMPLIES FOR THE LONG-AT-ODDS MILITARY, TECHNOCRAT, AND LEFTIST INTEREST GROUPS IN CHINA. FOR ALL THE WEAKNESS AND OBSTACLES, HOWEVER, PRESENT POLITICAL CONDITIONS FOR THIS REORIENTATION TO DEVELOPMENT LOOK TO BE THE BEST THE COUNTRY HAS HAD IN A DECADE. END SUMMARY.

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2. WHEN CHOU AT THE JANUARY CONGRESS RAISED THE AMBITION

OF BUILDING A "POWERFUL MODERN SOCIALIST CHINA" HE WAS RESURRECTING A GOAL OF NATIONAL DEVELOPMENT WHICH FOR THE PAST TWO DECADES HAS OFTEN BEEN LOST SIGHT OF IN THE TRAMPLE OF CHINA'S INTERNAL POLITICAL STRUGGLES. VARIOUS SIGNS INDICATE THE CHINESE ARE SERIOUS ABOUT THIS AND THAT ECONOMIC PLANNING AND PRODUCTION ARE VYING FOR ATTENTION ON A MORE EQUAL BASIS WITH POLITICAL AND SOCIAL AIMS. IT MAY BE HELPFUL TO EXAMINE WHAT POLITICAL BASIS EXISTS FOR THIS NEW REGIME ORIENTATION.

3. FOR ALL THE ATTENDANT STRUGGLES, THE PAST SEVEN YEARS HAVE SEEN EXTENSIVE POLITICAL RECONSTRUCTION CARRIED OUT IN CHINA, BEGINNING WITH THE SETTING UP OF REVOLUTIONARY COMMITTEES IN THE CHAOS OF THE CULTURAL REVOLUTION AND TOPPED NOW BY THE HOLDING OF THE NATIONAL PEOPLE'S CONGRESS. THIS BUILDING PROCESS HAS BEEN SLOW AND UNEVEN, AND THERE HAVE BEEN INTRIGUES, COUP PLOTS, PURGES AND ASSASSINATIONS ALONG THE WAY. THE PARTY HIERARCHY HAS HAD TO BE OVERHAULED AT THE NATIONAL LEVEL THREE TIMES IN THE PAST SIX YEARS. BUT COMPARED WITH 1967 WHEN THE ONLY CONTROL WAS IN THE HANDS OF THE PEOPLE'S LIBERATION ARMY, CHINA'S POLITICAL HOUSE IS NOW IN MUCH BETTER SHAPE STRUCTURALLY. THE GOVERNMENT AND PARTY SYSTEMS AND IN LARGE MEASURE THE MASS ORGANIZATIONS ARE REBUILT AND FUNCTIONING AGAIN, AND THE MILITARY'S SWOLLEN POLITICAL ROLE HAS BEEN APPRECIABLY DEFLATED. THE POLITICAL AND GOVERNMENTAL FRAMEWORK FOR CARRYING OUT VARIOUS ASPECTS OF ECONOMIC DEVELOPMENT IS BACK IN PLACE.

4. IN RESETTING THE NATIONAL GOAL, CHOU HAS DEFINED THE THREE INTERESTS TO BE SERVED, AND THE THREE INTEREST GROUPS TO BE ACCOMMODATED, IN THE NEW EFFORT TO STEER THE COUNTRY TOWARD ECONOMIC AND SOCIAL DEVELOPMENT. "POWERFUL" STANDS FOR THE PRIMARY CONCERNS OF THE MILITARY; "MODERN" INDICATES THE TECHNOCRATS' PRIORITY; AND "SOCIALIST" IS THE PREOCCUPATION OF THE LEFT. NO CHINESE LEADER WOULD REJECT ANY OF THESE QUALITIES FOR CHINA IN THE FUTURE, BUT THE SUBSTANCE OF THE STRUGGLE--WHICH HAS LONG BEEN OBSCURING THE GOAL OF NATIONAL DEVELOPMENT--IS OVER WHICH OF THESE INTERESTS COMES FIRST. FOR MUCH OF THE PAST TEN YEARS THE LEFTISTS HAVE BEEN ATTACKING THOSE WHO PUT PRODUCTION FIRST, AND IT WOULD HAVE BEEN

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POLITICALLY IMPOSSIBLE BEFORE FOR CHOU TO HAVE HELD UP THE PURSUIT OF WEALTH IN THIS FASHION. APPARENTLY POLITICAL POWER NOW HAS TILTED MORE IN FAVOR OF PRODUCTION AND ITS USE TO ACHIEVE NATIONAL GREATNESS.

5. WE THINK IT PROBABLE MOST OBSERVERS WOULD AGREE THAT LAST YEAR'S POLITICAL MOVEMENT WAS A DEBACLE AND DID SERIOUS HARM TO INDUSTRIAL OUTPUT. THERE

SHOULD BE A POLITICAL PRICE TO PAY FOR THOSE WHO INITIATED  
AND LED THIS TRIP TO THE EDGE OF THE PIT, AND VERY LIKELY  
MAO AND THE LEFT HAVE LOST SOME INFLUENCE. THE VARIOUS  
STORIES ABOUT A CONFRONTATION LAST YEAR, IN WHICH MAO BACKED  
DOWN TO PARTY ELDERS AND THE MILITARY, SOUND PLAUSIBLE.  
TOO, CHOU HAS SEEMED TO BE USING ILLNESS AS A SHIELD FROM  
SOMETHING, AND ONE PLAUSIBLE THEORY IS THAT HE WISHES TO  
STAND ALOOF FROM THE STRUGGLE, POSSIBLY TO PRESERVE HIS  
INFLUENCE AS A COMPROMISER.

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6. THERE IS MOR SOLID GROUND FOR DEMONSTRATING A LONGER  
TERM DECLINE IN MAO'S AUTHORITY--AND POSSIBLY HIS PHYSICAL  
CONDITION--SINCE THE SCANDALOUS LIN PIAO AFFAIR IN 1971.  
MAO AT THAT TIME BEGAN TO WITHDRAW, AVOIDING PUBLIC APPEARANCES  
AND SHOWING HIMSELF ONLY WITH FOREIGN VISITORS. THE PROCESS  
WAS ALREADY GOING ON WHEN MAO ADVANCED IT LAST YEAR BY LEAVING  
THE CAPITAL. WHATEVER THE NUDGE FROM LAST YEAR'S EVENTS,  
MAO'S ROLE WAS ON THE DECLINE ANYWAY. SOME CADRES, WHO HAVE

BETTER SIGNS THAN WE DO, NOW SEEM INCREASINGLY TO COUNT HIM OUT, BUT WE HESITATE TO GO THIS FAR ON THE INFORMATION THAT IS AVAILABLE.

7. THERE PRESENTLY IS PROBABLY NO ONE IN CHINA BESIDES MAO WHO CAN CALL OUT THE MASSES AND TURN THEM AGAINST AUTHORITY. WHATEVER THE TRUTH OF IT, MAO IS CURRENTLY HELD UP AS CALLING FOR STABILITY. WE DO NOT INTERPRET YAO WEN-YUAN'S PRESENT RED FLAG ARTICLE AS SIGNALLING FOR MASS AGITATION AND  
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DISRUPTIONS, AND WE THINK THE WIDESPREAD APPEALS FOR "STABILITY AND UNITY" ARE IMPORTANT AND REPRESENT THE MAINSTREAM. HOWEVER UNEASY AND TEMPORARY, THE GOAL OF A "POWERFUL MODERN SOCIALIST CHINA" CONVEYS THE SENSE OF A NEW CONFLUENCE OF CURRENTS MAKING UP THIS MAINSTREAM. IT DOES NOT PRECLUDE STRUGGLES, BUT FOR THE FIRST TIME IN YEARS, RAPID ECONOMIC GROWTH IS UNAMBIGUOUSLY RAISED UP AS AN OBJECTIVE CONSIDERATION AND RESTRAINT ON POLITICAL ACTIVITY.

8. FROM THIS PERSPECTIVE--THE PARTY AND GOVERNMENT SYSTEMS BACK IN PLACE AND FUNCTIONING, DISRUPTIVE POLITICAL CAMPAIGNS DISCREDITED WITH A POSSIBLE RESULT IN IMPROVED PUBLIC CONFIDENCE, AND AN OPEN, APPARENTLY AGREED-UPON CALL TO PURSUE ECONOMIC GROWTH--CHINA HAS THE BEST POLITICAL CONDITIONS THE COUNTRY HAS KNOWN FOR ECONOMIC DEVELOPMENTS IN A DECADE. SUCH A POSITIVE ASSESSMENT, HOWEVER, GOES AGAINST THE EXPERIENCE OF UNRELENTING POLITICAL STRUGGLE IN CHINA OVER THE PAST TEN YEARS AND SEVERAL WEAKNESSES AND OBSTACLES COME TO MIND--THE LOSS OF PUBLIC FAITH AND CONFIDENCE IN THE STRUGGLES AND SCANDALS, THE ADVANCED AGE OF SO MANY KEY FIGURES IN THE LEADERSHIP, AND THE RAW WOUNDS AND STILL CONTINUING BATTLES OF LAST YEAR'S MOVEMENTS.

9. THE TECHNOCRATS AND THE MILITARY IN THEIR OVERLAPPING CONCERNS FOR A "POWERFUL AND MODERN" CHINA SHARE A COMMON TEMPTATION TO PUT PRODUCTION FIRST, AND THE "SOCIALIST" PLANK IN CHOU'S PROGRAM IS LIKELY TO BE UNDER CONSTANT PRESSURE. IN ALL LIKELIHOOD THE LEFT IS GOING TO HAVE TO TOLERATE AT LEAST A RETURN TO THE QUOTA SYSTEM IF DICTATORSHIP AND VOLUNTARY WORK ARE TO BE WELL-DEFINED AND EFFICIENTLY CARRIED OUT (WHICH THEY MAY NOT BE). THE LEFT, HOWEVER, STILL HAS POWER, AS INDICATED BY THE ACTIVE, LEADING ROLES CHANG CHUN-CHIAO AND YAO WEN-YUAN ARE TAKING AND THE VIGOROUS WAY THEY ARE PRESENTLY LAYING DOWN THE SOCIALIST LINE. THE LEFT CAN BE EXPECTED TO HIT BACK AND SEIZE INITIATIVES AS OPPORTUNITY COMES; THE FAVORABLE POLITICAL CONDITIONS FOR ECONOMIC DEVELOPMENT ARE RELATIVE AND NOT ABSOLUTE.

10. THE IMMEDIATE TASK BEFORE THE REGIME IS STILL TO HALT THE  
DISRUPTIONS TO PRODUCTION ARISING OUT OF LAST YEAR'S POLITICAL  
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MOVEMENT. WORKERS IN A NUMBER OF PLACES CONTINUE TO BE  
RECALCITRANT, AND THE REGIME MAY HAVE A WAY TO GO JUST TO PUT  
PRODUCTION BACK WHERE IT WAS WHEN THE LEFTISTS WENT OFF THE  
DEEP END LAST YEAR. THE POLITICAL BASIS FOR RESTORING  
PRODUCTION, AND FOR MOVING AHEAD ON AN ECONOMIC DEVELOPMENT  
COURSE, IS THERE, AND WE WILL BE ASSESSING OTHER ASPECTS OF  
THE SITUATION AS THEY COME INTO VIEW.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC DEVELOPMENT, POLITICAL STABILITY, PRODUCTION DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975HONGK02580  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750089-0233  
**From:** HONG KONG  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1975/newtext/t19750355/aaaabxge.tel  
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**Office:** ACTION EA  
**Original Classification:** SECRET  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 JUN 2003 by izenbei0>; APPROVED <30 OCT 2003 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** POLITICAL BASIS FOR ECONOMIC DEVELOPMENT  
**TAGS:** ECON, PGOV, CH  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006